



City of Chula Vista Boards & Commissions

Housing Advisory Commission

Agenda

Notice is hereby given that the **Housing Advisory Commission** of the City of Chula Vista has called and will convene a Special Meeting on **Wednesday, February 26, 2014** in **Conference Room C103**, located at **276 Fourth Avenue, Building A**, Chula Vista, California to consider the item(s) on this agenda.

SPECIAL MEETING OF THE HOUSING ADVISORY COMMISSION OF THE CITY OF CHULA VISTA

Wednesday, February 26, 2014
4:00 p.m.

Conference Room C103
276 Fourth Avenue, Building A
Chula Vista

CALL TO ORDER

ROLL CALL: Commissioners Minas, Quero, Torre, Chair Uy, and Zaker

CONSENT CALENDAR

The Board/Commission will enact the Consent Calendar staff recommendations by one motion, without discussion, unless a Board/Commission Member, a member of the public, or staff requests that an item be removed for discussion. If you wish to speak on one of these items, please fill out a "Request to Speak" form and submit it to the Secretary prior to the meeting. Items pulled from the Consent Calendar will be discussed immediately following the Consent Calendar.

1. APPROVAL OF MINUTES FROM November 13, 2013

Staff recommendation: Review Attachment 1 and approve minutes.

PUBLIC COMMENTS

Persons speaking during Public Comments may address the Board/Commission on any subject matter within the Board/Commission's jurisdiction that is not listed as an item on the agenda. State law generally prohibits the Board/Commission from discussing or taking action on any issue not included on the agenda, but, if appropriate, the Board/Commission may schedule the topic for future discussion or refer the matter to staff. Comments are limited to three minutes.

ACTION ITEMS

The Item(s) listed in this section of the agenda will be considered individually by the Board/Commission and are expected to elicit discussion and deliberation. If you wish to speak on any item, please fill out a "Request to Speak" form and submit it to the Secretary prior to the meeting.

2. CONSIDERATION OF AN APPLICATION FROM SOUTH BAY COMMUNITY SERVICES FOR 192-196 LANDIS AVENUE

Staff recommendation: Review Attachment 2 and provide an advisory recommendation that the City Council conditionally approve up to \$450,000 of Community Development Block Grant (CDBG) funds for the financing of a proposed 7-unit permanent supportive residential project.

OTHER BUSINESS

3. STAFF COMMENTS

Update on the following projects/programs:

- Lofts on Landis
- Green Homes for All

4. CHAIR'S COMMENTS

5. COMMISSIONERS'/BOARD MEMBERS' COMMENTS

ADJOURNMENT to the regular meeting on Wednesday, April 23, 2014 in Conference Room C101 at 276 Fourth Avenue, Building A, Chula Vista, California.

*Materials provided to the **Housing Advisory Commission** related to any open-session item on this agenda are available for public review in the **Housing Division**, Chula Vista during normal business hours.*

***In compliance with the
AMERICANS WITH DISABILITIES ACT***

The City of Chula Vista requests individuals who require special accommodations to access, attend, and/or participate in a City meeting, activity, or service, contact the Human Resources Department at (619) 691-5041 (California Relay Service is available for the hearing impaired by dialing 711) at least forty-eight hours in advance of the meeting.

**CITY OF CHULA VISTA
DRAFT MINUTES
HOUSING ADVISORY COMMISSION
SPECIAL MEETING**

Wednesday, November 13, 2013
4:00 P.M.

CITY HALL CONFERENCE ROOM C101
276 FOURTH AVENUE

CALL TO ORDER/ROLL CALL – 4:02 P.M.

PRESENT: Mark Minas, Sergio Quero, Lillian Uy

ABSENT: Mauricio Torre (excused)

STAFF: Stacey Kurz, Senior Project Coordinator
Jose Dorado, Project Coordinator
Leilani Hines, Housing Manager

APPLICANT: Colin Rice, Rice and Healing Development Group

1. APPROVAL OF MINUTES

❖ 7/24/13 - Chair Uy motioned to approve the minutes from the meeting of 7/24/13. Member Minas second the motion and all members agreed 3-0.

2. KIKU GARDENS APARTMENTS (1260 THIRD AVENUE) REHABILITATION

Staff Dorado provided a summary of the staff report, Exhibit 1 and brief presentation, Exhibit 2 of the request by the applicant Rice and Healing Development Group for the Housing Authority to issue \$12M in tax exempt bonds for the rehabilitation of Kiku Gardens senior affordable rental housing. He further introduced the applicant as being available for questions and Colin Rice added that they anticipate closing in June and taking 6-8 months for the rehabilitation with an anticipated finish in December 2014.

Chair Uy asked if any conservation measures/energy upgrades would be included in the rehabilitation and how that would impact tenants rents? The applicant replied that they would be doing energy upgrades including the installation of solar, however utilities are paid by the owner and therefore no financial savings will be seen by residents however they will have a healthier environment. Staff Dorado explained that the complex is a Section 8 Project Based Development and therefore all residents do not pay more than 30% of their income. The development will be restricted by HUD regulations for an additional 55 years through this refinance and the project based Section 8 assistance is locked for an additional 20 years. Chair Uy further inquired about how tenants will be relocated during the rehabilitation. The applicant indicated that the rehabilitation will be phased, that they did not anticipate any tenant being out of their unit for longer than 4 days. They will be providing vouchers for hotels or financial stipends if they have other housing preferences and that they were being sensitive to the conditions tenants return to.

Vice Chair Quero inquired whether local contractors would be used for the rehabilitation. The applicant indicated that they had a general contractor that would be soliciting local subcontracting. Vice Chair Quero further inquired as to whether any new programming for tenants would be provided and the applicant replied that the existing services such as on-site activities and shuttle services to cultural and shopping venues would continue and the on-site service coordinator would continue to engage tenants.

Member Minas inquired as to whether the common areas would also receive a facelift and the applicant replied yes. Member Minas asked staff about a previous development that came before the commission and had Radon issues that prevented the project from moving forward. Staff Kurz indicated that complex was Briarpatch and the environmental issue was with the primary lender and not the City funding. He

Housing Advisory Commission

Minutes

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followed up by asking the applicant if they had completed their due diligence and whether a situation could occur to prevent the project from moving forward and they replied that they had been doing their due diligence and they did not anticipate any issues. Member Minas further asked if tenants have been resistant to the rehabilitation. The applicant indicated that the residents have not been opposed to the rehabilitation and that the owners have been and will continue to meet and involve residents including posting the materials boards with tenants for them to be party to the rehabilitation.

Chair Uy asked for greater clarification on the common areas and unit rehabilitation. The applicant indicated that the property was built in the mid 1980's and therefore needs a complete facelift including the kitchen and living space common areas which will be one of the first renovated. He added that all units and spaces will be ADA compliant, new art will be added and computers and books to the library.

Member Minas motioned to recommend conditional approval of a \$12M tax exempt bond for the rehabilitation of Kiku Gardens. Vice Chair Quero second the motion and all members agreed 3-0.

3. RESOLUTION CHANGING THE TIME OF REGULAR MEETINGS

Member Minas motioned to approve the Resolution changing the regular meeting time to 4:00 p.m. Vice Chair Quero second the motion and all members agreed 3-0.

4. STAFF REPORTS

Project Updates:

- ❖ Lofts on Landis – Staff Kurz indicated that the project received the tax credit financing in late September and is anticipated to submit for building permit in the next few weeks. Groundbreaking will occur in February/March 2014 and should be completed by May 2015.
- ❖ Congregational Towers – Construction has begun on the rehabilitation project and should be completes in summer 2014.

5. MEMBER'S COMMENTS

None.

6. ORAL COMMUNICATIONS

None.

7. ADJOURNMENT – HAC Meeting was adjourned at 4:47 p.m. when Chair Uy motioned to adjourn with a second from Vice Chair Quero and all members agreed 3-0, to the next regular meeting of January 22, 2013.

Recorder, Stacey Kurz

Exhibit 1 – Kiku Gardens Staff Report
Exhibit 2 – Kiku Gardens Presentation

The City of Chula Vista Housing Authority
A REPORT TO THE
HOUSING ADVISORY COMMISSION

Item No. 2

Staff: Jose Dorado
Project Coordinator II

DATE: November 13, 2013

SUBJECT: **KIKU GARDENS APARTMENTS** - RECOMMENDATION OF APPROVAL TO THE HOUSING AUTHORITY TO CONDITIONALLY APPROVE A TAX EXEMPT BOND OF UP TO \$12 MILLION FOR THE FINANCING OF THE REHABILITATION OF EXISTING AFFORDABLE UNITS AT KIKU GARDENS APARTMENTS (1260 THIRD AVENUE)

I. RECOMMENDATION

That the Housing Advisory Commission recommend **APPROVAL** to the Housing Authority to conditionally approve a tax exempt bond not to exceed \$12 million for the financing of the rehabilitation of existing affordable senior housing units at the Kiku Gardens Apartments.

II. BACKGROUND

The City of Chula Vista has received a request from C&C Development Group, dba RAHD Group ("Applicant") to consider the issuance of tax exempt obligations to finance the acquisition and rehabilitation of 100 existing affordable units at Kiku Gardens Apartments (the "Project"). Kiku Gardens Apartments are located at 1260 Third Avenue in southwest Chula Vista. The rehabilitation will improve the property and extend the term of the affordable rents.

The Applicant is preparing an application for an allocation of tax credits and tax-exempt private activity bonds for multi-family projects from the California Debt Limit Allocation Committee (CDLAC) and is requesting that the Housing Authority of the City of Chula Vista be the conduit bond issuer for an aggregate amount not to exceed \$12 million. The application must be submitted by March 21, 2014. The bond allocation and tax credit contributions will be used to substantially finance the Project.

III. PROJECT DESCRIPTION

The Applicant

The Applicant is currently under contract to purchase the Project located at 1260 Third Avenue. The Applicant has successfully acquired and rehabilitated over 450 residential units in California, 355 in San Diego, previously funded through the Department of Housing and Urban Development (HUD).

Upon close of escrow, the Applicant and Hearthstone Housing Foundation, a nonprofit service agency organized under section 501(c)(3) of the Internal Revenue Service Code, will create a new limited partnership, Kiku Gardens Housing Partners, LP to own and operate the Project. The new partner, Hearthstone Housing Foundation ("Hearthstone") will serve as the managing general partner and will provide supportive services to the residents. Hearthstone is a nonprofit organization formed in 1991. Hearthstone currently provides services to Hillside Apartments in San Diego and Spring Villa Apartments in Spring Valley.

The Property

The property is a 32 year old garden apartment complex with 100 affordable units for senior citizens originally financed through HUD. Features include multiple common areas including a library, kitchen, community room, and laundry room. A service coordinator is on-site that plans social gatherings, arranges transportation for medical appointments, shopping, etc.

The Proposal

With the age of the property, it is in need of rehabilitation to ensure continued long term use and viability. To take advantage of tax credits, the existing owner, Kiku Gardens, will sell the project to the new partnership formed by the Applicant named a California limited partnership that will acquire and rehabilitate the property using bond financing and tax credits. The scope of the proposed renovation includes full apartment interior renovations, new roof, mechanical systems, electrical system, plumbing system, and other exterior finishes.

Income and Rent Restrictions

For the bond financing, Section 142 (d) of the Internal Revenue Services Code requires either a minimum of 20 percent of the rental units in the Project to be available for occupancy by persons or families whose income does not exceed 50 percent of the area median income (AMI) for the San Diego Primary Metropolitan Statistical Area, or alternatively, at least 40 percent of the rental units are required to be available for occupancy by persons or families whose income does not exceed 60 percent of the AMI. The units are also to be made available at affordable rents established by the applicable State law.

The project will exceed the affordability requirements by setting aside 30 units for very low income households at 50 percent of AMI, and 70 units for low income households at 60 percent of AMI. Kiku Gardens will continue to operate the entire project as an affordable project, with 100 units affordable to lower income households (1 unit reserved for resident manager). The bond regulatory agreement will restrict 100 units for low income households with 30 units at 50 percent of AMI and 69 units at 60 percent of AMI, with one unit set aside for the resident manager. The bond restricted rents will be based upon HUD income limits established for the year.

| Unit Description | No. of Units | Target Income Level | Affordable Rent Limit | Tenant Pays |
|------------------|--------------|---------------------|-----------------------|---------------------|
| 1 Bd/1 Ba | 69 | 60% AMI | \$907 | 30% of their income |
| 1 Bd/1 Ba | 30 | 50% AMI | \$756 | 30% of their income |
| | 1 | Manager | - | - |
| Total Restricted | 100 | | | |

The Project also has an existing Section 8 financing contract with HUD. This allows the tenants to pay only 30% of their income, with HUD paying the remaining portion of the rent. The applicant has applied for a Section 8 rent increase based on post rehabilitation market rent which will increase the One Bedroom to \$1,150. The request will not increase the amount currently paid by the tenants due to the HUD assistance.

The Project proposes to maintain the income and rent restrictions for Kiku Gardens for a period not less than fifty-five years, exceeding the 30-year term of the bonds. The income and rent restrictions outlined above are to be incorporated into the Regulatory Agreement for the bonds, which will be recorded against the property.

Compliance with the income and rent restrictions will be subject annually to a regulatory audit and annual tax credit certification. Compliance with strict property management policies and procedures will ensure that income and rent restrictions will be maintained for the full 55-year compliance period.

IV. FINANCIAL ASSISTANCE

Form of Assistance

The Property Owner will be using Tax Exempt Multi-Family Revenue Bonds and Low Income Housing Tax Credit financing to support the majority of the estimated \$15.75 million total development cost of the Project. The Applicant has requested the Housing Authority consider the issuance of \$12 million in tax exempt bonds to be made available as a public offering for short term tax exempt bonds, with a long term taxable loan from Freddie Mac, as guarantor and Citi Community Capital as servicer. The Applicant will also apply for approximately \$4.6 million in Low Income Housing Tax Credits. The permanent Bonds and Tax Credits would cover almost 80 percent of the estimated cost. The balance is expected to be provided by seller financing. HUD will allow the financing and provide a 20 year Section 8 contract for the property.

Bond financing is a self-supporting program with the borrower (Applicant) responsible for the payment of all costs of issuance and other costs and repayment of the bonds. All costs related to the issuance of the bonds will be paid for from bond proceeds. The bonds will be secured by the project and will not constitute a liability to or obligation of the City or Housing Authority.

The City of Chula-Vista Housing Authority will receive compensation for its services in preparing the bond issuance by charging an origination fee of 1/8 of 1% of the bond issuance. The Housing Authority will also receive compensation for ongoing monitoring compliance of the regulatory restrictions from an annual administrative fee paid by the borrower (1/8 of 1% of the outstanding bond issuance).

V. Exhibits

1. Locator Map

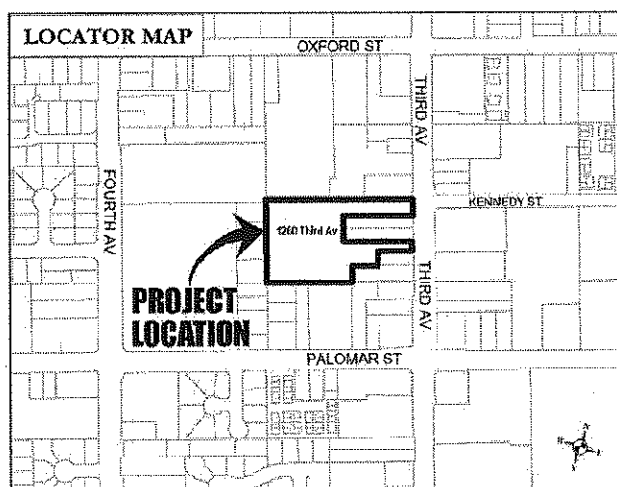
Affordable Housing Application 1260 Third Avenue Kiku Gardens



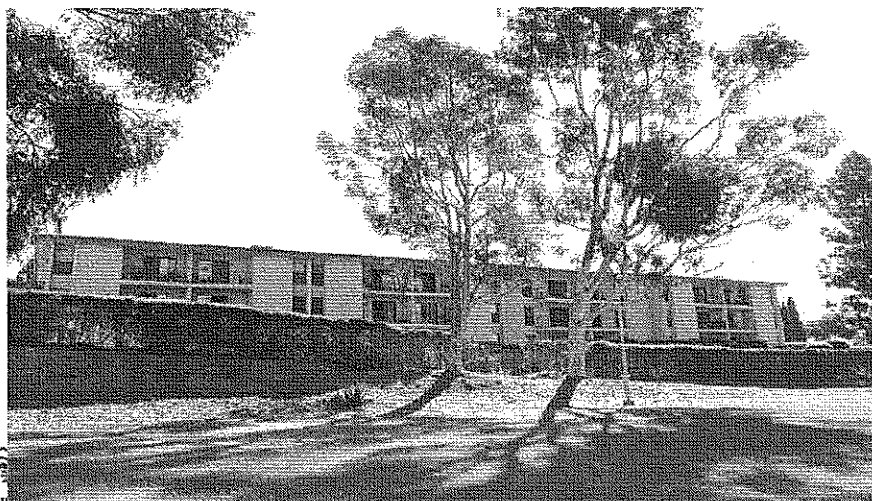
Presented by:
José Dorado,
Project Coordinator



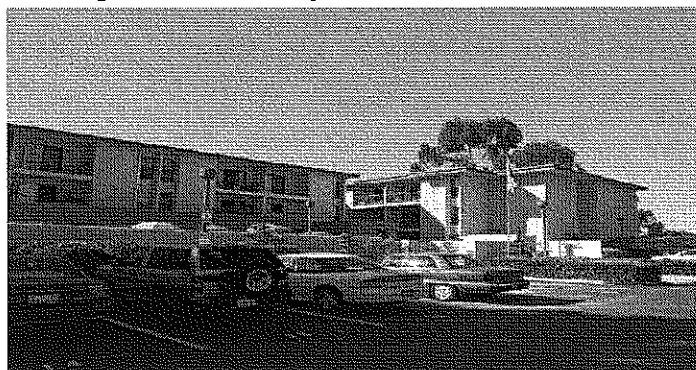
Project Location



Project Site



Project Proposal



- 100 1-bedroom units
- Senior Housing
- Community Space
- Library

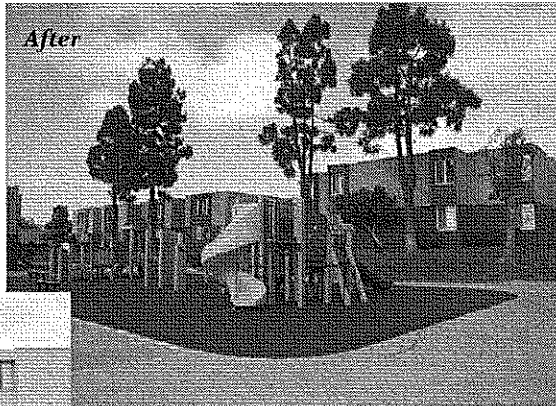
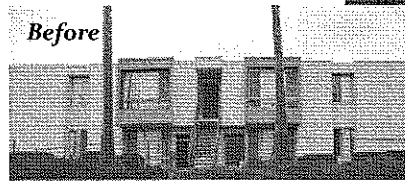


CITY OF
CHULA VISTA

HOUSING DIVISION

Project Developer

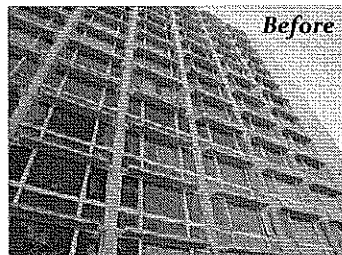
C&C Development
(dba RAHD Group)



*Seabreeze Apartments
268 Units*

Project Developer

C&C Development
(dba RAHD Group)



*Sorrento Tower - 198 units
Clairemont City of San Diego*

Non-Profit General Partner

Hearthstone Housing
Foundation



Benefits of the Project

- **100** multi-family affordable rental units for 55-years.
- Preserves an affordable housing project with Project Based Section 8 voucher
- Consistent with Housing Element and HUD approved Consolidated Plan and Objectives
- Rehabilitates an existing affordable housing project
- Community Revitalization
- Community Center

Recommend bond issuance up to \$12M

| Total Development Budget | |
|--|-----------------------|
| Housing Revenue Bonds | up to \$12,000,000 |
| Tax Credits (4%) | \$4,600,000 |
| Total Estimated Development Costs | \$1.6m |

Questions/Comments



Area Median Income Limits

| Income Category | Income Limit or Household of Four | Income Limit for Household of two |
|--------------------------------|-----------------------------------|-----------------------------------|
| Extremely Low Income (30% AMI) | \$16,950 | \$19,400 |
| Very Low Income (50% AMI) | \$28,250 | \$32,250 |
| Low Income (60% AMI) | \$33,900 | \$38,700 |

Proposed Rent Limits

| Target Population Area Median Income | Maximum Restricted Rent Level 1 BR Unit | Tenant Rent |
|---|--|--------------------------------------|
| Very Low Income (50% AMI) | \$756 | 30% of their monthly adjusted income |
| Low Income (60% AMI) | \$907 | 30% of their monthly adjusted income |

The City of Chula Vista Development Services Housing Division
A REPORT TO THE
HOUSING ADVISORY COMMISSION

Item No. 2

Staff: Jose Dorado, Project Coordinator
Development Services Department, Housing Division

DATE: February 26, 2014

SUBJECT: 192-196 LANDIS - RECOMMENDATION OF APPROVAL TO THE CITY OF CHULA VISTA CITY COUNCIL TO CONDITIONALLY APPROVE AN AMOUNT NOT TO EXCEED \$450,000 FOR THE FINANCING OF A PROPOSED 7-UNIT PERMANENT SUPPORTIVE RESIDENTIAL PROJECT AT 192-196 LANDIS

I. RECOMMENDATION

That the Housing Advisory Commission recommend APPROVAL to the City of Chula Vista City Council to conditionally approve up to \$450,000 for a proposed 7-unit affordable permanent supportive housing project at 192-196 Landis Avenue.

II. BACKGROUND

The City of Chula Vista has received a request from South Bay Community Services ("Applicant") to consider financial assistance to support the rehabilitation of a seven (7) affordable housing rental housing development ("the Project") at 192-196 Landis Avenue (Exhibit 1 - Locator Map).

The Applicant is preparing applications to the Cooperation for Supportive Housing, the County of San Diego, Youth Build, and to AHP for additional financial assistance. The applicant has identified a funding gap and is requesting that the City of Chula Vista conditionally approve financial assistance in an amount not to exceed \$450,000. The other funding sources will be used to substantially finance the Project.

III. PROJECT DESCRIPTION

The Applicant

With over 435 units in its portfolio, South Bay Community Services (SBCS) has significant experience in developing affordable rental housing. SBCS' most recent development in Chula Vista was Muncey Manor for youth aging out of the foster care system. SBCS is qualified and has demonstrated a desire and commitment to partner with the City in the development of another affordable housing project. In reviewing their qualification and past experience, 10 out of their 12 projects serve homeless clients and demonstrates their ability to successfully complete and manage this type of special needs project.

The Property

The site at 192-196 Landis is close to public transit and neighborhood services and facilities, including health facilities and commercial areas due to its close proximity to the Third Avenue Village. The property is on a 4,900 square foot lot located near the corner of Landis Avenue and E Street in the V-3 (West Village) district of the Urban Core Specific Plan (UCSP). Although the site is currently being used as office space for SBCS, the project will convert the use back to residential, to include 7 studio units.

The project will be affordable for 55-years and guarantees the availability of such housing and services for the long term.

The Proposal

In 2013, the local Regional Continuum of Care Council (RCCC) released a Notice of Funding Availability for Developers who could serve the chronic homeless. One of the requirements of that application was to demonstrate site control and to have a reasonable development budget. If awarded, operation funds would be available. SBCS was notified that its application was successful and would be included in the RCCC's final application to the U.S. Department of Housing and Urban Development. This project will receive the South Bay's fair share of these HUD funds. With the success of the application, SBCS is now securing additional funding sources to complete the rehabilitation needed to convert the office space into seven (7) studio units.

Income and Rent Restrictions

It is proposed that all 7-units will be affordable to and restricted for occupancy by extremely low income households. As submitted in the RCCC application, the population to be served is the chronic homeless. The unit breakdown, restrictions and estimated rents are summarized in the table below:

| Number of Units | Restricted | Income level | Estimated Monthly Unit Rent | Income Limit (Household Size 1 or 2) |
|-----------------|------------------------|--------------|-----------------------------|--------------------------------------|
| 7-Studios | Yes – Chronic Homeless | 30% AMI | \$414 | \$16,660/\$18,950 |

This project model assumes continued funding from the Regional Continuum of Care to cover the operations costs. The most restrictive rent and income limits of the applicable funding source is applied for the Project for a period not less than fifty-five (55) years and ensures long term affordability. The income and rent restrictions are to be incorporated into the Affordable Housing Regulatory Agreement, which will be recorded against the property.

Compliance with the income and rent restrictions will be subject annually to a regulatory audit and certification by all of the funding sources. Compliance with strict property management policies and procedures will ensure that income and rent restrictions will be maintained for the full 55-year compliance period.

IV. FINANCIAL ASSISTANCE

Form of Assistance

Financing and development of the Landis Studios project is proposed as a joint private-public partnership. With rents restricted at the 30% AMI affordable levels for the 55-year time period, the net operating income is insufficient to support a loan large enough to cover all the project costs. SBCS is proposing to obtain other financing to support the majority of the estimated \$1,271,905 million (\$181,701 per unit) cost of constructing the project (Exhibit 2 - Proforma). The development costs are consistent with significant rehabilitation and conversion projects, particularly with the small size of the project.

To close the financing gap, SBCS has requested direct financial assistance of \$450,000. The City's funds would be used to restrict all 7 units. This equates to a per unit subsidy of \$75,000.

Staff is recommending that the City conditionally approve financial assistance in an amount not to exceed \$450,000. Community Development Block Grant funds is the most flexible funding source that can be used to provide financial assistance to this type of special needs project. CDBG funds were also used to finance the Muncey Manor project due to the flexibility of the funding terms and conditions that come along with the use of these HUD funds. The City's financial assistance will be subject to obtaining the following: 1. Secure additional funding sources, (2) complete architectural plans (3) submit and receive building permits, and (4) negotiation of satisfactory terms of the Regulatory Agreement and Loan Agreement and the approval of such terms and documents by the City Council at a later date.

Article XXXIV:

Article XXXIV of the California Constitution (Article 34) requires that voter approval be obtained before any "state public body" develops, constructs or acquires a "low rent housing project". The City of Chula obtained voter approval on April 11, 1978 and subsequently on November 6, 2006 with the passage of Proposition C, which authorizes the development, construction and acquisition of housing for persons of low-income. With the addition of these 33-units, this leaves 1,578 units under the City's current authority to facilitate these activities.

V. Exhibits

1. Locator Map
2. Proforma

EXHIBIT 1

Locator Map



SOURCES AND USES OF FUNDS

EXHIBIT 2

| | |
|----------------------------|--|
| Project Name: | Landis Studios |
| Project Address: | 192-196 Landis Ave. Chula Vista CA 91911 |
| Number of Units (Studios): | 7 |
| Total Square Footage: | 4,900 |

Sources of Funds

| | |
|----------------------------------|------------------|
| CSH Predevelopment Loan | 20,000 |
| HUD C o C Program | 272,800 |
| City of Chula Vista CDBG 2013-14 | 450,000 |
| County of San Diego HOME 2014 | 300,000 |
| AHP Funding | 249,105 |
| Total Sources of Funds | 1,271,905 |

0% interest for 24 months (to be paid off by sources below)

Uses of Funds

| | |
|---------------------------------|------------------|
| Development Soft Costs | 205,855 |
| Construction Hard Costs | 1,066,050 |
| Total Uses of Funds | 1,271,905 |
| Total Sources in Excess of Uses | 0 |